

Building and Retaining an Affordable Austin

Urban Land Institute—Austin • HousingWorks Austin
Real Estate Council of Austin • Austin Area Research Organization

EXECUTIVE SUMMARY

Costs and Consequences

Nationally, Austin used to be very affordable compared to many of its peer cities, which helped to earn it recognition as one of the most livable cities in the country. Today, however, Austin is now one of the most expensive places to live in Texas, and its housing costs are rising rapidly. Currently, only Collin County (outside of Dallas) has a higher median home price than Austin.

While the affordable housing supply in Austin for renters earning between \$20,000 and \$50,000 per year is strong, 27% of Austin's renters earn less than \$20,000 a year, and this population is seriously underhoused. Economic trends suggest the need for housing for lower-income renters will only increase in Austin as elsewhere in the country.

Many families in search of affordability are looking toward suburban communities for more reasonably priced options. Housing is integrally tied to employment, education outcomes, economic development, neighborhood stability, and security. Where one lives impacts one's access to high-performing schools, sustainable jobs, comprehensive healthcare, and ultimately success. When poverty is concentrated, the result is social, economic, linguistic, and political isolation. And when an adequate and diverse supply of affordable homes is not available in all parts of town, concentrated poverty is the inevitable consequence.

If the trend is not contained, the fear is that the city of Austin will become home to only the very wealthy and the very poor. In order to maintain healthy diversity of population within the city, it is imperative to have a diversity of housing options.

Defining the Need

In spring 2008, HousingWorks commissioned a poll of a representative sample of registered likely voters in Austin. The results reveal a pervasive concern regarding housing affordability. Sixty-three percent of respondents were concerned that they or someone they care about will be



La Vista de Guadalupe, just east of downtown Austin, includes 22 apartments aimed at families with incomes below \$42,000.

unable to afford a home in Austin. Seventy percent of respondents would like the city of Austin to have a diversity of home types within its neighborhoods to accommodate people with a range of income levels. Seventy percent of respondents also felt that the local government should play an active role in ensuring that housing is affordable for people with a wide range of incomes throughout the city.

In March 2009, the City of Austin released a Comprehensive Market Study that sought to identify existing and future affordable housing needs in Austin. Major findings include:

- Housing costs in Austin have risen by 85 percent in the past 10 years.
- Only one in six renters earning less than \$20,000 can find affordable housing. By 2020, the City will need to develop as many as 16,500 units to address this gap.
- Residents earning less than \$75,000 — which includes teachers, police officers, firefighters, and many levels of professionals — have and will continue to have fewer options to purchase an affordable home.

Policy Recommendations COMPREHENSIVE PLAN

The Imagine Austin Comprehensive Plan should incorporate a meaningful focus on home affordability throughout town, including numerical goals for affordable homes within each of 8-12 geographic housing planning areas, based on the principles of jobs-housing balance and linkages to opportunity (high quality schools and community services).

RECOMMENDATION 1: Identify Intermediate Planning Areas with Numerical Goals

Neighborhood plans do not cover a large enough geography for the planning of certain elements that are key for a high quality community, such as health care and affordable housing. Each of the eight to 12 intermediate planning levels should have reasonable numerical goals for affordable homes, including for-sale, rental and supportive housing options. Using data on employment locations, wage distributions, rent ranges, and housing prices within each of the intermediate housing planning levels, the Comprehensive Plan can facilitate a balance between jobs and housing. Each part of town has a wide range of employment opportunities. The goal would be to correlate those wage ranges with a corresponding range of housing opportunities, through both land use planning and the allocation of public and private resources to support the creation of needed housing.

RECOMMENDATION 2: Establish Goals that Improve Jobs-Housing Balance

Over 25% of Austin's workforce earns less than \$13.50/hour. These essential jobs in healthcare, retail, office administration, building maintenance, and food service are located in all parts of town. The City can compare the jobs-housing balance identified in the Comprehensive Plan with the existing housing stock to establish goals for new development and preservation within the geographic housing planning area. The goal will not be complete parity. It is important to recognize that existing data cannot accurately capture the complexity of jobs (e.g., multiple wage earners traveling to multiple employment centers) and housing (e.g., single worker households and "doubled up" families). However, the data available can provide general guidance and serve as an indicator of jobs-housing balance within various submarkets. The City's incentive programs and planning tools can then be aligned with the established goals to help achieve diverse and dispersed housing options.



Downtown projects, such as the proposed redevelopment of the Green Water Treatment Plant, can support home affordability in the urban core, either with units on site or with fees-in-lieu to support nearby affordable homes, in exchange for increased density.

Policy Recommendations FUNDING AND ACQUISITION

The City should include additional housing funds in a 2012 bond election. The community should also increase public sector capacity to support a variety of public/private projects and strategies to create and retain citywide home affordability.

RECOMMENDATION 1: Issue More GO Housing Bonds

The 2006 \$55 million General Obligation bond program has provided an enormous boost in affordable housing production, already supporting 1800 deeply affordable rental, for-sale and supportive homes. These GO bonds need not be viewed as a one-time cash infusion. Rather, the community can use GO bonds as an ongoing investment in our housing infrastructure.

RECOMMENDATION 2: Expand Public-Private Partnership For Inclusionary Preservation And Development

The Working Group sought to identify partners for the strategic acquisition and development of affordable properties, including underwriting, asset management, long-term preservation, and partnership management. One option that would achieve these objectives would be a public-private partnership, responsive and responsible to the public for ensuring public benefit, but incorporating the expertise and financial flexibility of the private sector, so that real estate opportunities can be acquired quickly when available.

Whatever model is best suited to the needs of the community and market, the City of Austin and other public sector entities must develop greater capacity for effective partnerships to develop and preserve affordable housing.

This capacity must be geared to take advantage of the particular strengths of each sector. Private sector developers are especially well-positioned to take construction risks. Nonprofits are especially well-positioned to provide long-term asset management. Public entities are positioned to manage millions of dollars in public investment and to oversee the long-term public interest.

Policy Recommendations

DENSITY AND INCENTIVES

Leadership groups in the community should focus their efforts with architects, developers, citizens and neighborhoods to educate the community about well-designed density and the essential role it will play in supporting home affordability. The City should also continue to harmonize, streamline and implement citywide incentive programs that promote affordable homes in exchange for increased density.

RECOMMENDATION 1: Harmonize And Expand Affordability Incentive Programs

The City and community should make a strong and consistent commitment to long-term affordability in the application of its development incentive programs. Affordability in projects receiving City incentives should be maintained for 40 years for rental projects and 99 years for homeownership.

Pursuant to the work of the Incentives Task Force and Downtown Austin Plan, the Working Group endorses the following additional measures:

- CURE zoning should remain as a zoning tool; however, in order to support affordable housing, it should be modified to match the downtown (or other particular area) density incentive affordability program.
- Fees-in-lieu paid by developers to support affordable housing and other community benefits should be assessed not only on residential development projects but also commercial and mixed-use developments receiving density bonuses or incentives.

- Fees-in-lieu paid on downtown developments should be prioritized for (1) downtown affordability; (2) affordable housing within a two-mile radius of downtown; (3) Transit-Oriented Developments (TODs); and, finally, (4) Vertical Mixed-Use projects

on Core Transit Corridors.

- The Incentives Task Force should be reconvened to address multifamily incentives outside of downtown and to help resolve remaining inconsistencies between city density bonus and incentive programs.

To support home affordability in all parts of town, the subgroup considered the potential of expanding the Alley Flat Initiative of the Austin Community Design and Development Center and the University of Texas Center for Sustainable Development. It is estimated that there are 42,900 lots with potential for accessory dwelling units with in central Austin. A loan or grant program could incentivize homeowners to provide 600 sq.ft. “alley flats” (garage apartments or ground-entry flats) that could be affordable and provide a return on investment to the homeowner.

Parallel Recommendation DEVELOPMENT REVIEW PROCESS

Concurrent with the Working Group’s efforts, the Austin CHDO Roundtable – a consortium of nonprofit housing developers – and RECA joined forces to explore issues with the City’s development review process. Building on input from focus groups of architects, developers and other users of the city process, the CHDO/RECA effort has developed guiding principles for improvements to the process and recommends ongoing work to make the development review process transparent, consistently administered, predictable (not changing weekly), and focused on protecting affordability along with other public goods.



More than 1,000 for-sale and rental homes in the new Mueller community will be part of the innovative Mueller Affordable Homes Program, one example of how public, private and nonprofit entities can form partnerships that support long-term home affordability throughout the city.

Next Steps

The Working Group plans to move forward to refine, advocate and assist in implementation of measures that achieve the policy recommendations found in this report. We anticipate that these activities will take place along several tracks:

- Each of the four sponsoring organizations – ULI-Austin, HousingWorks, RECA and AARO – will consider the best ways to integrate support for the policy recommendations into its ongoing work plans and programs.

For example, HousingWorks will use such events as its fall housing summit and June housing tour to highlight best practices and innovative approaches that specifically address issues like preservation of existing affordable housing stock, integrating density into established neighborhoods, or leveraging available funding.

- The Working Group will also continue to find opportunities to align the proposals and recommendations here with ongoing programs and efforts by the city and in the community. The Comprehensive Plan is the largest such example, but there are others, such as proposals currently under consideration for a housing preservation strategy.

- The Working Group will continue its engagement efforts with other stakeholders whose issues and areas of expertise dovetail with the goal of providing all kinds of housing in all parts of town.

This would include, for example, advocates and groups working on education issues and student achievement, which is highly influenced by the availability of affordable family housing. It also, naturally, will include neighborhood groups, but also transportation advocates, environmental advocates, business and economic development stakeholders, and social service providers. The intent is to take the recommendations and the message beyond the



The Juniper-Olive houses in East Austin represent one approach to preserving and rehabilitating existing affordable homes.

confines of the housing and real estate communities and demonstrate how important widely available and affordable housing is to the city's sustainability and livability in all areas and across a range of issues.

- The Working Group will also agree on key elements for a community-wide campaign to develop design tools to help Austin citizens understand the problem and the range of possible solutions, with special focus on how density and urban form will help Austin achieve its established core community values of affordability and sustainability.

We realize the need to build awareness, support and consensus-based coalitions that will help the city and community make potentially difficult choices and pursue ambitious and innovative responses. Part of this effort will include ongoing measures of the community's performance in closing the gaps identified by the Comprehensive Market Study – a “dashboard” showing what's working and where we as a community need to focus and redouble our efforts.

About the Working Group and the Report

Recognizing the social and economic costs of the lack of affordable housing, several groups joined forces in 2008 to develop strategies for ensuring all types of homes in all parts of town.

HousingWorks Austin (HW) — a consortium of community leaders and housing industry experts — partnered with the Urban Land Institute (ULI), the Real Estate Council of Austin (RECA), and the Austin Area Research Organization (AARO). Each organization brings a unique perspective on the issue of affordable housing and all share a common commitment to building and retaining an affordable Austin.

The Working Group, including representatives from all four organizations, came together in September 2008 to identify shared priorities for strategic and meaningful policy initiatives, which when implemented, would help to provide the opportunity for a wide range of affordable homes in all parts of town. Beginning in 2009, the original Working Group expanded, adding additional experts to investigate the three priority policy areas and develop a thorough set of achievable policy recommendations.

The full version of *Building and Retaining an Affordable Austin* can be found online at www.housingworksaustin.org.

